

DEPARTMENT OF STATE REVENUE
LETTER OF FINDINGS NUMBER: 05-0096
Sales/Use Tax
For the Years 2002-2003

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ISSUE

I. Sales and Use Tax-Manufacturing exemption

Authority: Ind. Code § 6-2.5-5-3

Taxpayer protests the assessment of use tax with respect to a piece of machinery that straightens coiled steel.

STATEMENT OF FACTS

Taxpayer is a business engaged in the production of lawn equipment, and operates a facility in Indiana. As part of its operation, Taxpayer purchased a machine for the purpose of straightening steel coils prior to their insertion into a press designed to form the parts necessary for their lawn equipment. The Department assessed use tax with respect to the machine, which Taxpayer protested.

I. Sales and Use Tax-Manufacturing exemption

DISCUSSION

Under Ind. Code § 6-2.5-5-3, machinery directly used in the direct production of other tangible personal property is exempt from sales and use tax. Taxpayer argues that its machine is an integral part of its production of lawn equipment. In particular, Taxpayer notes its entire process. First, a coil of steel is loaded into a feeder. Second, the feeder feeds the steel into the machine, which straightens the steel prior to the steel entering a press. Third, an exact length of steel enters the press. Fourth, the press cuts the steel to the exact specification. When the steel is cut, the steel passes through the press. At this point, the machine sends a length of steel through it to be straightened, and the exact same length of steel passes through the press, repeating the process until the full coil is used.

Here, the straightening of steel does not constitute the production of other tangible personal property, notwithstanding its proximity to the production press. The first step in the actual production of tangible personal property is the production press. Accordingly, Taxpayer's protest is denied.

FINDING

Taxpayer's protest is denied.

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